


1973
ANNUAL REPORT
RAPPORT ANNUEL

 **the Villager** Shoe Shoppes (Canada) Ltd.



A CANADIAN CORPORATION SERVING FASHION-CONSCIOUS CANADIANS
FROM COAST TO COAST

*UNE CORPORATION CANADIENNE DESSERVANT DES CANADIENS
À LA PAGE D'UN OCÉAN À L'AUTRE*

THE VILLAGER SHOE SHOPPES (CANADA) LTD.

FINANCIAL HIGHLIGHTS

for the year ended December 31, 1973

RELEVÉ FINANCIER

pour l'exercice clos le 31 décembre 1973

	<u>1973</u>	<u>1972</u>
Sales	\$9,088,863	\$7,094,509
<i>Ventes</i>	<i>9,088,863</i>	<i>7,094,509</i>
Income from Operations	4,012,526	3,334,897
<i>Revenu d'exploitation</i>	<i>4,012,526</i>	<i>3,334,897</i>
Net Earnings	18,063	160,169
<i>Bénéfice net</i>	<i>18,063</i>	<i>160,169</i>
Net Earnings per Share (Note 6)	2¢	20¢
<i>Bénéfice net par action (Notation 6)</i>	<i>2¢</i>	<i>20¢</i>
Number of Shares Outstanding	800,000	800,000
<i>Nombre d'actions en circulation</i>	<i>800,000</i>	<i>800,000</i>
Shareholders' Equity	2,417,872	2,399,809
<i>Avoir des actionnaires</i>	<i>2,417,872</i>	<i>2,399,809</i>
Working Capital, End of Year	522,410	244,133
<i>Fonds de roulement à la fin de l'exercice</i>	<i>522,410</i>	<i>244,133</i>

BOARD OF DIRECTORS

CONSEIL D'ADMINISTRATION

Jean Marc Bruneau, Charlesbourg, Québec
 Peter Anthony Hodge, F.C.A., Rosemère, Québec
 Theodore Mark Oberfeld, Dollard des Ormeaux, Québec
 Deno Nicholas Pappas, Ville St-Laurent, Québec
 Oscar Respitz, Q.C., Montréal, Québec
 Melvin Jacob Rosenstein, Montréal, Québec
 Milton Vineberg, Outremont, Québec
 Ralph Vineberg, Westmount, Québec
 Gordon C. Watt, Pointe Claire, Québec

OFFICERS

MEMBRES DE LA DIRECTION

Milton Vineberg
 Président
 Ralph Vineberg
 Executive Vice-Président administratif
 Treasurer/Trésorier
 Deno Nicholas Pappas
 Vice-Président, Administration
 Melvin Jacob Rosenstein
 Vice-Président, Operation/Exploitation
 Theodore Mark Oberfeld
 Vice-Président, Expansion
 Oscar Respitz, Q.C.
 Secretary/Secrétaire
 Peter Hodge, F.C.A.
 Comptroller/Directeur des Services Financiers

TRANSFER AGENT AND REGISTRAR

AGENT DE TRANSFERT ET REGISTRAIRE

The Montreal Trust Company,
 Halifax-Montréal-Toronto-Winnipeg-Regina-Calgary
 and Vancouver

AUDITORS

VÉRIFICATEURS

Coopers & Lybrand,
 Chartered Accountants/Comptables agréés,
 Montréal, Québec
 Mr. Saul Rosen, C.A., Montréal, Québec

BANKERS

BANQUES

The Canadian Imperial Bank of Commerce,
 Crescent & Ste. Catherine St. West, Montréal, Québec
 La Banque de Commerce Canadienne Impériale,
 Crescent & rue Ste-Catherine O., Montréal, Québec

LISTED

TITRES COTÉS

Montreal Stock Exchange
 Bourse de Montréal



the Villager Shoe Shoppes (Canada) Ltd.

PRESIDENT'S MESSAGE

Fiscal 1973 was a year of profits and record sales for the Villager Shoe Shoppes (Canada) Ltd. Sales were \$9,088,863, an increase of 28% over the previous year's sales of \$7,094,509. This increase in sales was achieved in part by the Company reaching its forecast goal of opening twenty new stores in key market areas across Canada.

The Company earned \$18,063 or 2¢ per share in 1973 versus \$160,169 or 20¢ per share in 1972. These results were achieved despite the first half set back which resulted from the previous delivery and quality problems of late 1972.

Substantial gains were realized in the third and fourth quarters completely erasing a first half loss of \$48,755 or 6¢ per share.

I would be remiss if I failed to acknowledge at this time the fact that this momentum has spilled over into 1974. Results for both January and February show an excellent sales increase over 1973's corresponding months. We are devoting our combined corporate energies to continuing this favourable direction.

To this end the Company is considering 1974 as a year of improvement. We have implemented new systems and controls to increase the efficiency and contribution to profitability of each and every store and individual within our organization. These measures coupled with a merchandise policy aimed at further strengthening consumer confidence will assure the Company's continuing growth and profitability during the current and future years.

Projections for 1974 will reflect a year of moderate expansion. At this time five new Company stores are scheduled to open this year. Emphasis will be placed on the modernization of some older units. Our successful Franchising program will continue to add its significant share to strengthening the Company's overall position. To date three new Franchise stores have been contracted with scheduled openings this coming spring and fall.

At the present time all Company projections are being met. I want to assure all shareholders that the measures being taken to upgrade every facet of the Company's operations from administrative through merchandising will reflect our objective to improve our rate of growth, to improve our net profit margin and our strength in the market place. I do not have the slightest doubt that our long term corporate objectives will be achieved.

During the year the resignation of Mr. W. A. Clarke, as a director of your Company, was recorded. Mr. Peter A. Hodge, F.C.A., comptroller, was elected to fill this vacancy.

MESSAGE DU PRÉSIDENT

Le rapport d'exercice financier pour l'année 1973 fait ressortir des bénéfices et un total record des ventes pour Villager Shoe Shoppes (Canada) Ltd. Le montant total des ventes était \$9,088,863 soit une augmentation de 28% sur les ventes des années précédentes qui s'élevaient à \$7,094,509. Cet accroissement du total des ventes s'est produit lorsque la Compagnie a atteint son objectif d'ouvrir vingt nouveaux magasins dans les centres les plus favorables du marché canadien.

La Compagnie a accusé des gains de \$18,063 ou 2¢ par action en 1973 contre \$160,169 ou 20¢ par action en 1972. Ces chiffres ont été atteints malgré un recul au cours de la première moitié de l'année. Ce recul a été causé par des difficultés antérieures de livraison et des problèmes sur la qualité, survenus vers la fin de l'année 1972.

Des gains importants enregistrés au cours des troisième et quatrième trimestres ont surpassé la perte de \$48,755 ou 6¢ par action encourue lors de la première moitié de l'année.

Je ne peux m'empêcher de reconnaître que ce courant s'est propagé jusqu'en 1974. Le relevé des ventes pour les mois de janvier et février 1974 indique une nette augmentation sur les ventes de l'année 1973 pour les mêmes mois. Tous nos efforts sont réunis pour continuer de progresser dans cette direction.

La Compagnie dès lors, entrevoit 1974 comme une année de progrès. Nous avons doté nos magasins de méthodes nouvelles pour assurer un meilleur rendement et pour obtenir la participation de l'individu à la rentabilité. Ces mesures, de pair avec l'application des nouveaux concepts marchands visant à renforcer les relations avec nos clients sont la promesse de succès et de rentabilité pour l'année 1974 et les années qui suivront.

Nous prévoyons un ralentissement dans le développement au cours de l'année 1974. Cinq nouveaux magasins ouvriront leurs portes cette année. Cependant, nous insisterons davantage sur la modernisation de quelques anciennes unités. L'apport des magasins concessionnaires évoluant à l'intérieur d'un programme précis, continuera de se faire sentir et aidera à conserver la Compagnie dans son ensemble.

Nous procédons en ce moment à la mise en application de nos projets. Je tiens à souligner à tous les actionnaires que les mesures prises pour rehausser le niveau de la Compagnie, des techniques administratives aux techniques marchandes, traduisent notre volonté d'augmenter notre rythme de croissance, d'élargir la marge de nos bénéfices nets et d'occuper une place importante sur le marché. Je n'ai nul doute sur les chances de réussite de ce projet à longue échéance.

ANNUAL REPORT 1973

I wish, with this message to acknowledge the effort and dedication of "Villager people" from administration through to store operations. Their combined skills are indeed the positive factor ensuring the Villager's bright future.

March 4, 1974

Milton Vineberg, President

Au cours de l'année, Monsieur W. A. Clarke a remis sa démission comme Directeur de votre Compagnie. Monsieur Peter A. Hodge, F.C.A., Directeur des Services Financiers a été désigné pour combler ce poste.

Par la présente, je tiens à souligner et à remercier de leurs efforts, tous ceux du Villager, des membres de l'Administration aux employés de magasins dont les aptitudes constituent un facteur important du brillant avenir de Villager.

le 4 mars, 1974

Le président, Milton Vineberg

MERCHANDISE

Under the careful guidance of the Company's Executive Vice President, Mr. Ralph Vineberg, the Villager is ever increasing its merchandise depth. With the belief that fashion conscious young thinking buyers — Villager customers — should have as wide a selection as possible in their footwear choice, purchasing and exclusive new specialty merchandise is geared to satisfy this segment of the market.

Although Canadian suppliers still provide the major source of the merchandise presented in Villager stores, world-wide purchasing is becoming more prevalent. Rigid inspection and testing procedures, as well as strict quality control at the manufacturing level, assure Villager customers of consistent high quality as well as top styling in their footwear purchases. To further satisfy the consumer and assure their continued support, a Company Merchandise Policy, favouring the consumer, has been published and posted in all stores.

The underlying factor behind the merchandising success enjoyed by Villager is due to the skills of the people directly associated with product development and merchandising. The Merchandising Department is responsible for initial purchasing and marketing, as well as seeing that a balanced selection of merchandise is available in all stores.

The sales gain enjoyed in the last half of 1973 was due in no small part to the combined efforts of these people. Recent personnel additions to the Merchandising Department, in the form of promising young people who have graduated from store operations, will assure the continuing growth of this vital department.

MARCHANDISES

Grâce aux conseils judicieux du Directeur-Vice-Président Monsieur Ralph Vineberg, le Villager ne cesse d'accroître la valeur de ses marchandises. Le jeune acheteur à l'affût des modes nouvelles, le client Villager doit retrouver un choix aussi vaste que possible de chaussures; des modèles exclusifs et une foule de nouveautés ont été mis sur le marché pour satisfaire les besoins de cette classe spécifique d'acheteurs.

La plupart des marchandises en vente aux magasins Villager sont distribuées par des fournisseurs canadiens. L'approvisionnement à l'échelle internationale est, par ailleurs, de plus en plus répandu. L'inspection sévère des marchandises en usine, les procédés de vérification et l'examen minutieux de la qualité garantissent au client Villager une qualité supérieure et un modèle de grande classe. Des mesures ultérieures ont été prises pour satisfaire pleinement le client; tous les magasins possèdent un exemplaire du texte publié par la Compagnie à l'intention du client.

Le facteur sous-jacent au succès des techniques marchandes dont jouit le Villager, est dû à l'habileté des responsables du développement et des techniques de vente. Le Service des Techniques Marchandes procède à l'achat initial et à la mise en marché de même qu'il veille à ce que tous les magasins reçoivent un choix varié de marchandises.

L'augmentation du chiffre de vente au cours de la seconde partie de l'année 1973 s'est faite grâce aux efforts conjugués de ces gens. Le Service des Techniques Marchandes vient d'ajouter d'autres membres à son personnel. Ces nouveaux venus qui ont déjà prouvé leurs aptitudes dans la vente au niveau des magasins, constituent l'élément de continuité de ce noyau vital que sont les Techniques Marchandes.

THE VILLAGER SHOE SHOPPES (CANADA) LTD.

STORE EXPANSION

The Store Planning and Development Department is charged with the responsibility of designing, building and opening the projected new stores as well as the modernization and upgrading of existing stores.

This division works hand in hand with the Company's Real Estate Department which in turn recommends and develops real estate opportunities anywhere in Canada. The Company may be considering many proposals at any given time in its constant quest to keep abreast of developing market areas. It may take as little as six months or as much as twenty-four months from the commencement of site negotiations to store opening.

The average size of a "Villager" store is approximately 1250 square feet. This space is suitably divided between selling floor and stock room areas. These attractive and functional stores reflect consistent improvement. Esthetics and economics are paramount in the design of each and every unit. Currently there are 62 operating units of which 6 are Franchised and operating under the Company's "Associate Ownership Plan".

The combined efforts of these two vital departments have resulted in the opening of twenty new stores during 1973 and the modernization of eight other units. Currently there are five Company stores, as well as two Franchise units in various stages of planning and construction. Rounding out the 1974 expansion plans, several of our older stores will be modernized.

STORE MANAGEMENT

To achieve a balanced supervision of Villager stores, Canada has been divided into three sales areas, Eastern, Central and Western. Ambitious young people in each area have been promoted from individual store management to a multiple store supervisory level. These District Managers are responsible for the day to day operation of their units.

A continuous management training program has been instituted to constantly upgrade their expertise. New merchandising concepts, cost control data and product knowledge are only a part of the vital daily communication between Head Office, Supervisors and the District Managers. Much of the responsibility in reaching Company sales and profit objectives rests in the hands of these competent young men.

MAGASINS EN VOIE DE DÉVELOPPEMENT

Les responsabilités qui incombent aux Services de Planification et d'Expansion sont la conception des établissements, la prévision de l'ouverture des nouveaux magasins ainsi que la rénovation et l'amélioration des magasins déjà existants.

Ces services opèrent en étroite collaboration avec le Service de Propriété Immobilière de la Compagnie lequel, à son tour, encourage et multiplie les occasions de promouvoir la propriété immobilière partout au Canada. La Compagnie soucieuse d'être à la page dans le domaine de l'expansion, répond aux offres qui lui sont faites, en tout temps. Il faut compter des périodes de six à vingt-quatre mois entre le début des négociations sur l'emplacement et l'ouverture du magasin.

La grandeur moyenne d'un magasin "Villager" est de 1250 pieds carrés. Cet espace est facilement divisible en deux parties dont le magasin lui-même et un espace de rangement pour les marchandises. Ces magasins attrayants et fonctionnels sont conçus en fonction d'un taux élevé d'investissements pour chaque pied carré d'espace utilisable. Les magasins enregistrent des progrès conformes aux données. L'esthétique et la rentabilité sont les valeurs primordiales qui entrent dans la conception de chacune et de toutes les unités. Il existe présentement 62 unités en pleine activité dont 6 sont des unités concessionnaires et relèvent du "Associate Ownership Plan" de la Compagnie.

Les efforts conjugués de ces deux Services essentiels ont permis de procéder à l'ouverture de vingt nouveaux magasins durant l'année 1973 et à la rénovation de huit autres unités. Présentement, cinq magasins de la Compagnie ainsi que deux unités concessionnaires sont en période de planification et de construction. Le parachèvement des projets de développement pour 1974 permettra de rénover plusieurs de nos plus anciens magasins.

GÉRANCE DE MAGASIN

Dans le but d'opérer une surveillance adéquate des magasins Villager, le Canada a été divisé en trois régions: l'Est, le Centre et l'Ouest. Dans chaque région des jeunes gens ambitieux sont passés de la gérance d'un seul magasin à la surveillance de plusieurs unités. Ces Directeurs Régionaux sont responsables du fonctionnement quotidien de leurs magasins.

Un programme continu d'entraînement à la gérance a été mis sur pied pour élever leur niveau de compétence. Les nouveaux concepts marchands, le coût des données et la connaissance des marchandises ne constituent qu'une partie des communications quotidiennes essentielles entre le Siège Social, les Surveillants et Directeurs Régionaux. La majeure partie des bénéfices et des objectifs de vente reposent entre les mains de ces jeunes gens compétents.



THE VILLAGER SHOE SHOPPES (CANADA) LTD.

The Villager Shoe Shoppes (Canada) Ltd. offers its Merchandise to fashion conscious Canadians from coast to coast under the banner of three registered trade marks — "The Villager" — "Adam's Apple" — "The Gear Box". Each is an integral part, a "boutique", within every Villager Shoe Shoppe. A Canadiana decor designed to encompass the three boutiques stresses a comfortable, intimate, informal atmosphere.

THE VILLAGER SHOE SHOPPES (CANADA) LTD.

The Villager Shoe Shoppes (Canada) Ltd. présente d'un océan à l'autre, aux Canadiens soucieux d'être élégants et à la fine pointe de la mode, des marchandises sous trois étiquettes commerciales: "The Villager", "Adam's Apple" et "The Gear Box". Chacune désigne une entité, une "boutique" existant dans chaque magasin Villager. Un décor Canadienne enveloppe les trois boutiques dans une atmosphère de détente, intime et discrète.

the Villager®

THE VILLAGER

Women and girls of all ages, in all walks of life, students, career girls, young married's and those women who "think young" are all catered to at the Villager. The fashion conscious female knows that here she will find high fashion footwear for all occasions. She wants to shop at the Villager where she knows that she will be first with the fashion leaders created and merchandised . . . for her.

THE VILLAGER

Dames et jeunes filles de tout âge, de tous les milieux, étudiantes, femmes de carrière, jeunes mariées et toutes celles qui "pensent jeune", viennent satisfaire leurs goûts au Villager. La femme élégante et à la page sait qu'elle peut trouver chez nous des chaussures de grande classe et pour toutes les occasions. Elle veut acheter au Villager où elle est sûre de se procurer le tout dernier modèle de chaussures conçues et manufacturées pour la femme.



THE VILLAGER SHOE SHOPPES (CANADA) LTD.
and subsidiary companies

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1973

	1973 \$	1972 \$
ASSETS		
CURRENT ASSETS		
Accounts receivable	273,256	161,492
Merchandise inventory — at the lower of cost and net realizable value	2,042,248	1,356,181
Prepaid expenses	129,746	88,220
	<u>2,445,250</u>	<u>1,605,893</u>
 FIXED ASSETS (note 2)	 837,424	 562,638
 EXCESS OF COST OF SHARES IN SUBSIDIARY COMPANIES OVER NET BOOK VALUE AT DATE OF ACQUISITION	 1,598,038	 1,598,038
	 <u><u>4,880,712</u></u>	 <u><u>3,766,569</u></u>

APPROVED ON BEHALF OF THE BOARD

Milton Vineberg, Director

Oscar Respitz, Director

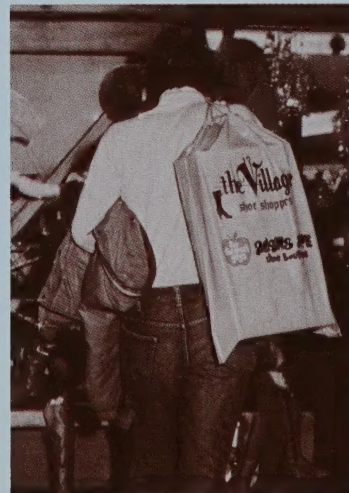


ADAM'S APPLE

The "Adam's Apple" is the men's department within most Villager shoppes. Today's young man is fashion conscious. He is no longer satisfied with just ordinary footwear. He wants to buy his shoes where his selection will be "with it", style wise. The Villager's capable merchandisers, responsible for the selection made available to him, assure the male shopper that whatever his choice may be, he will be right when purchasing from the Adam's Apple. The "Adam's Apple", the private brand trade mark under which this area of merchandising is carried out, provides him with his kind of style for all occasions. The Adam's Apple "boutique", true to Villager policy, not only stresses the latest in fashion at reasonable prices, but quality and comfort as well.

ADAM'S APPLE

"Adam's Apple" est le rayon de la chaussure pour hommes dans la plupart des magasins Villager. Le jeune homme d'aujourd'hui aime être à la page. Les chaussures ordinaires ne le satisfont plus; il a le souci de l'élégance, il recherche les nouveautés. Après avoir sélectionné divers modèles, le personnel qualifié des techniques marchandes de Villager, garantit entière satisfaction au client d'Adam's Apple, peu importe son choix. Des modèles pour tous les goûts et pour toutes les occasions sont offerts aux clients. Ces modèles portent la marque de fabrique particulière Adam's Apple. La "boutique" Adam's Apple, fidèle aux idées de Villager, met l'accent non seulement sur la mode dernier cri mais de plus, vise à assurer confort et qualité à des prix abordables.





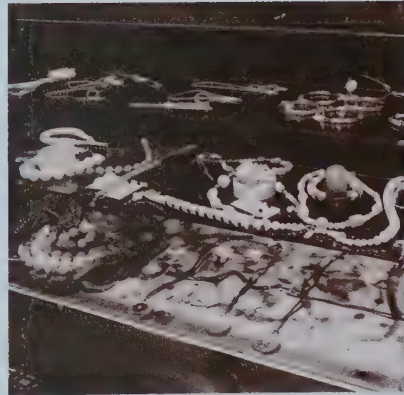
GEAR BOX

All Villager shoppes impart a vibrant and active feeling. The busy displays of handbags, belts, jewelry and other tastefully co-ordinated items, that create the necessary fashion "total look", help to develop this exciting impression. The Villager customer is attracted to the store by this feeling. She knows that the items necessary to complement her intended footwear purchase are readily available — to touch, to try on, and to complete her sought after "total look". "The Gear Box", the registered trade mark under which most of these "go together" accessories are sold, is also the Villager's complete accessory department. Gear Box merchandise is seasonally updated to assure the fashionable Villager customer that her selection will be right for her "total look", at any time of the year.

GEAR BOX

Tous les magasins Villager propagent un courant vibrant et énergique. Les étalages remplis de sacs à main, ceintures, bijoux et combinaisons savantes créent une "vue d'ensemble" d'allure captivante. C'est cette impression qui attire la cliente Villager; elle sait très bien que ces accessoires complètent les chaussures qu'elle compte acheter: toucher, essayer et parvenir à la "vue d'ensemble" qu'elle recherche.

"The Gear Box", marque déposée où sont vendus les accessoires "d'accompagnement" possède en même temps, le rayon complet des accessoires Villager. La boutique "Gear Box" marie les accessoires aux saisons en assurant à la cliente Villager le choix pour obtenir une "vue d'ensemble" propre à chaque période de l'année.



ANNUAL REPORT 1973

	1973 \$	1972 \$
LIABILITIES		
CURRENT LIABILITIES		
Bank loan and advances (note 3)	694,489	176,876
Accounts payable and accrued liabilities	1,142,229	939,099
Income taxes	26,122	200,360
Current portion of long-term debt	60,000	45,425
	<u>1,922,840</u>	<u>1,361,760</u>
 LONG-TERM DEBT , less current portion (notes 3 and 4)	 540,000	 5,000
	<u>2,462,840</u>	<u>1,366,760</u>
 SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized —		
2,000,000 common shares of no par value		
Issued and fully paid —		
800,000 common shares	1,974,671	1,974,671
 RETAINED EARNINGS	 443,201	 425,138
	<u>2,417,872</u>	<u>2,399,809</u>
	<u>4,880,712</u>	<u>3,766,569</u>

See accompanying notes to financial statements.

THE VILLAGER SHOE SHOPPES (CANADA) LTD.
and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1973

	1973 \$	1972 \$
SALES	9,088,863	7,094,509
COST OF SALES	5,076,337	3,759,612
GROSS PROFIT	4,012,526	3,334,897
NET INCOME FROM THE SALE OF FRANCHISES	14,692	28,255
	4,027,218	3,363,152
STORE AND ADMINISTRATIVE EXPENSES	3,986,655	3,047,583
EARNINGS BEFORE INCOME TAXES	40,563	315,569
PROVISION FOR INCOME TAXES	22,500	155,400
NET EARNINGS FOR THE YEAR	18,063	160,169
EARNINGS PER SHARE (note 6)	0.02	0.20

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1973

	1973 \$	1972 \$
BALANCE — BEGINNING OF YEAR		
As previously reported	425,138	249,863
Adjustment of prior years' amortization of leasehold improvements	—	15,106
As restated	425,138	264,969
Net earnings for the year	18,063	160,169
BALANCE — END OF YEAR	443,201	425,138

See accompanying notes to financial statements.

THE VILLAGER SHOE SHOPPES (CANADA) LTD.
and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

for the year ended December 31, 1973

	1973 \$	1972 \$
SOURCE OF WORKING CAPITAL		
Provided from operations	169,572	264,990
Proceeds from issue of capital stock	—	1,970,671
Proceeds from disposal of fixed assets	—	35,847
Increase in long-term debt	535,000	—
	<u>704,572</u>	<u>2,271,508</u>
USE OF WORKING CAPITAL		
Decrease in long-term debt	—	45,421
Investments in subsidiary companies	—	1,970,671
Additions to fixed assets	426,295	345,933
	<u>426,295</u>	<u>2,362,025</u>
INCREASE (DECREASE) IN WORKING CAPITAL	278,277	(90,517)
WORKING CAPITAL — BEGINNING OF YEAR	244,133	334,650
WORKING CAPITAL — END OF YEAR	522,410	244,133

See accompanying notes to financial statements.

ANNUAL REPORT 1973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1973

1. PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of The Villager Shoe Shoppes (Canada) Ltd., and its wholly-owned subsidiaries, The Villager Shoe Shoppes Ltd. and Enivan Diversified Enterprises Ltd.

2. FIXED ASSETS

Fixed assets and related accumulated depreciation and amortization are classified as follows:

	1973			1972
	Cost	Accumulated depreciation and amortization	Net	Net
	\$	\$	\$	\$
Automotive equipment	34,227	17,866	16,361	23,373
Furniture and fixtures	208,375	108,438	99,937	81,314
Leasehold improvements	1,000,202	279,076	721,126	457,951
	<u>1,242,804</u>	<u>405,380</u>	<u>837,424</u>	<u>562,638</u>

3. SECURITY FOR BANK LOANS

Bank loans amounting to \$470,000 are secured by a floating charge on all assets of the company and its subsidiaries.

4. LONG-TERM DEBT

	1973	1972
	\$	\$
Long-term debt comprises:		
7¾ % bank loan due \$2,000 monthly	—	29,000
14% first mortgage bonds, series "A", due in quarterly instalments of \$6,675	—	19,925
7% loan due \$167 monthly	—	1,500
11½ % bank loan due \$60,000 annually	300,000	—
Loan due \$120,000 annually, commencing on or before January 31, 1975 bearing interest at 1¼ % above prime rate on \$275,000 and 2½ % above prime rate on \$25,000	<u>300,000</u>	<u>—</u>
	600,000	50,425
Less: Current portion	<u>60,000</u>	<u>45,425</u>
	<u>540,000</u>	<u>5,000</u>

5. RESERVATIONS OF CAPITAL STOCK

- The senior employees have been granted the option to purchase 19,000 shares at \$4.25 each and 2,000 shares at \$6.00 each over a period of five years and exercisable at a rate of one-fifth per annum cumulative.
- The underwriter, Gairdner & Company Limited, was granted an option to purchase 25,000 common shares at \$4.25 per share exercisable for a period of three years terminating June 23, 1975.
- The company has reserved 19,000 shares for further options to senior employees.
- 500,000 of the issued common shares are held in escrow pending approval of release by the Ontario Securities Commission and the Montreal Stock Exchange.

6. EARNINGS PER SHARE

Net earnings per common share have been calculated on the basis that 800,000 shares have been outstanding for the whole year. Fully diluted earnings per share have not been shown as the effect on net earnings per common share of the outstanding options referred to in note 5 is not material.

7. STATUTORY INFORMATION

Remuneration of officers and directors:

	1973		1972	
	Directors	Officers	Directors	Officers
	\$	\$	\$	\$
The Villager Shoe Shoppes (Canada) Ltd.	875	84,219	750	95,759
The Villager Shoe Shoppes Ltd.	<u>3,000</u>	<u>101,201</u>	<u>2,250</u>	<u>121,761</u>
	<u>3,875</u>	<u>185,420</u>	<u>3,000</u>	<u>217,520</u>

The company had nine directors (1972 - nine) and six officers (1972 - six) during the year, all of whom were also directors. Interest on long-term debt amounted to \$34,773 (1972 - \$8,767).

Depreciation and amortization amounted to \$151,509 (1972 - \$104,821).

THE VILLAGER SHOE SHOPPES (CANADA) LTD.

8. LEASE COMMITMENTS

Minimum annual rentals for the next ten years on long-term property leases, excluding additional amounts based on percentage of sales, in effect on December 31, 1973 are:

1974	. . . . .	\$1,030,000
1975	. . . . .	1,032,000
1976	. . . . .	1,008,000
1977	. . . . .	932,000
1978	. . . . .	917,000
1979	. . . . .	851,000
1980	. . . . .	760,000
1981	. . . . .	671,000
1982	. . . . .	554,000
1983	. . . . .	266,000

9. LITIGATION

The company and one of its subsidiaries are contesting a legal action amounting to \$186,000, of which \$95,000 has not been recorded in the accounts. In the opinion of legal counsel the action is unfounded and the company intends to institute a countersuit.

AUDITORS' REPORT TO THE SHAREHOLDERS

To the shareholders of
The Villager Shoe Shoppes (Canada) Ltd.

We have examined the consolidated balance sheet of The Villager Shoe Shoppes (Canada) Ltd. and subsidiaries as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec
March 4, 1974

Coopers & Lybrand
Chartered Accountants

Saul Rosen
Chartered Accountant



the Villager Shoe Shoppes (Canada) Ltd.

PROVINCE AND CITY

NOVA SCOTIA

Halifax 2

NEW BRUNSWICK

St. John 1

QUEBEC

Montreal 11

Quebec 2

Sorel 1

Sherbrooke 2

Chicoutimi 1

Hull (franchise) 1

Laval (franchise) 1

ONTARIO

Toronto 5

Willowdale 1

Brampton 1

Scarborough 1

Bramalea 1

Mississauga 1

Oshawa 1

Kitchener 1

London 2

St. Catharines 1

Hamilton 2

Windsor 2

Ottawa 4

Barrie (franchise) 1

Cobourg (franchise) 1

Kingston (franchise) 1

MANITOBA

Winnipeg 2

SASKATCHEWAN

Saskatoon 1

Regina (franchise) 1

ALBERTA

Calgary 1

Edmonton 3

BRITISH COLUMBIA

Vancouver 3

Victoria 1

Kelowna 1

Surrey 1

Total 62

PROVINCE ET VILLE

NOUVELLE-ÉCOSSE

Halifax 2

NOUVEAU-BRUNSWICK

St-Jean 1

QUÉBEC

Montréal 11

Québec 2

Sorel 1

Sherbrooke 2

Chicoutimi 1

Hull (droits d'exclusivité) 1

Laval (droits d'exclusivité) 1

ONTARIO

Toronto 5

Willowdale 1

Brampton 1

Scarborough 1

Bramalea 1

Mississauga 1

Oshawa 1

Kitchener 1

London 2

St. Catharines 1

Hamilton 2

Windsor 2

Ottawa 4

Barrie (droits d'exclusivité) 1

Cobourg (droits d'exclusivité) 1

Kingston (droits d'exclusivité) 1

MANITOBA

Winnipeg 2

SASKATCHEWAN

Saskatoon 1

Régina (droits d'exclusivité) 1

ALBERTA

Calgary 1

Edmonton 3

COLOMBIE-BRITANNIQUE


Vancouver 3

Victoria 1

Kelowna 1

Surrey 1

Total 62

 **the Villager** Shoe Shoppes (Canada) Ltd.

4800 Bourg Street, Montreal, P.Q. H4T 1J3